

DOCKET FILE COPY ORIGINAL



## PACIFIC ISLANDS TELECOMMUNICATIONS ASSOCIATION

P.O. Box 2027  
Government Buildings  
Suva, FIJI

Tel: +679-220-246  
Fax: +679-302-203

5 February 1997


Office of the Secretary  
Federal Communications Commission  
1919 M Street North West, Room 222  
Washington D.C. 20554  
U.S.A.

Dear Sir,

Pacific Islands Telecommunications Association (PITA) consisting of all island nations in the Pacific was inaugurated on 18 January 1997 in Honolulu, Hawaii and is registered in Fiji.

In response to your NPRM IB Docket No 96-261 which was adopted on 19 December 1996, PITA submits its comments to FCC and trust this is in order.

Yours faithfully

  
Atma Ram  
PRESIDENT - PITA

AR/rp

024

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

RECEIVED  
FEB 10 1997  
FEDERAL RESERVE

**In the Matter of** )  
 ) **IB Docket No. 96-261**  
**International Settlement Rates** )  
  
**To : The Commission**

---

**COMMENTS OF  
PACIFIC ISLANDS TELECOMMUNICATIONS ASSOCIATION**

---

**February 5, 1997**

31 January 1997

1. INTRODUCTION

The Federal Communications Commission (FCC) has recently published a notice of proposed rulemaking (NPRM) regarding benchmarks for international settlement rates. Although the NPRM states that the FCC's intent is to address itself only to US carriers and not to foreign correspondents, the clear intent is to dictate to non-US carriers and their governments the rates that they may charge for access to and use of their networks.

In the NPRM the FCC have given their reasons for this proposed action as that the traditional accounting rate system results in settlement rates which are above cost resulting in inefficiencies in the global telecommunications market.

The FCC's stated objective is to align settlement rates more closely to costs and have produced arbitrary benchmarks based on US cost profiles which they wish to apply to foreign carriers

Pacific Islands Telecommunications Association (PITA) is a non-profit organisation formed to represent the interests of small island nations in the Pacific region in the field of telecommunications.

PITA strongly opposes the tactics adopted by the FCC which it believes are contrary to the fundamental precepts of the international telecommunications regime and conventions and regulations of the ITU. It is the firm belief of PITA members that it is the sovereign right of each government to determine its own telecommunications policy.

Appendix A to this submission lists the member countries of PITA, all of whom are signatories to this submission .

Included in the submission is a copy of a map showing the Pacific Islands countries. The map is designed to show the area operated by PITA members and will also assist in visualising the cost involved in providing the telecommunications services to one another and to the rest of the world because of the distance involved.

2. PITA COMMENTS TO FCC (NPRM ID Docket No 96-261 refers).

- 2.1. Developing Countries within PITA - The nations represented by PITA differ from one another in their potential for economic development, their political and economic philosophies and in the size of their national and international markets. However, they all have teledensities far below the levels of the US and Western Europe and comprise of remote rural communities, often separated by large areas of open sea, where the inhabitants have little more than a subsistence level existence. These nations rely heavily on the cross-subsidisation of revenue from international traffic to develop their national networks and progress towards achieving universal service. Governments therefore have a legitimate right to impose a large proportion of the cost of their social telecommunications policy objectives on the international sector.

The US, UK and other industrialised countries cross-subsidised the development of their national telecommunications infrastructure from international revenue for many years until their markets reached maturity and the time was considered right to introduce competition and rebalance tariffs in their telecommunications sector.

The markets in PITA members are many years from maturity and it is therefore unrealistic for the FCC to apply the same principles to them as to industrialised and liberalised markets.

- 2.2. Every country has the sovereign right to determine its own policy matters concerning telecommunications service. It is therefore wrongful for FCC to assume figures on the countries behalf without first fully understanding the situation and without appropriate data. Telecommunications is a mutual business and relies on the co-operation between countries and carriers and hence it should be left to the operators/carriers to look at solutions rather than FCC imposing on other country.
- 2.3. Fixing or determining by chance of benchmarking of costs determined on notions derived by the FCC is unrealistic and unacceptable. FCC has erred in proposing that the cost of providing telecommunications services is as low as they state. Admittedly FCC does not have the true record nor evidence to support any assumptions on what settlement rate should apply in any one case.
- 2.4. Pacific Islands as developing countries have much higher cost structure and very limited economy. As telecommunications revenue continues to be a much needed source of income to develop and maintain other communications infrastructure (particularly the rural areas) of the islands, it is considered morally wrong to deprive this source of income. FCC is unilaterally trying to impose on the underdeveloped islands. FCC would be failing in its duty if this action was implemented which would have the effect of retarding the telecommunications developments thus widening the telecommunications gap (the ITU "Missing Link" report).

- 2.5. If this action is to go ahead, not only would it create unnecessary complications which is totally uncalled for but will have the high risk of souring co-operation between the USA and countries of the Pacific. It would be much more desirable for carriers to work in co-operation towards any reform in the settlements rates.
- 2.6. Small island countries, being underdeveloped do not generate nor terminate substantial amount of traffic in comparison to others and hence inpayment into the islands are insignificant which we believe should not have any detrimental effect on USA carriers when dealing with small carriers. Many of the FCC benchmarks for traffic breakpoints are not even reached by many of the small countries.
- 2.7. PITA believes that its members should be considered separately and according to each situation by ITU and for the ITU not to include PITA countries with the larger foreign carriers. Any of the proposed drastic actions taken against the island nations will result in small economies not being able to sustain the loss.
- 2.8. Alternative Calling - One stated objective of the NPRM is to reduce the large outpayments being made by US carriers to distant administrations. However, the large traffic imbalances which account for these outpayments have been generated by the actions of the US carriers themselves. The Home Direct services operated by AT&T, MCI and Sprint effectively reverse the flow of traffic.

The practice of 'third country calling' was also pioneered by US carriers and diverted traffic from traditional direct international routes to switching it through the US by setting up two outgoing calls from the US and linking them together.

More recently, traffic balances have been affected by US hosted callback and refile. It is unreasonable for the FCC to attempt to arbitrarily reduce settlement rates because the the traffic imbalances, which are the basis for their reasoning, have been brought about by the actions of the US carriers.

- 2.9. Benchmarks - The FCC seeks to impose cost benchmarks which are, by its own admission, even in the US inevitably imperfect. This undermines the ongoing work of the CCITT and unilaterally dictates to overseas carriers a cost profile that only they can know.

PITA countries are committed to support ITU Recommendation D.140 in moving towards cost oriented accounting rates and it is presumptuous for the FCC to attempt to unilaterally establish cost benchmarks based on US cost profiles.

- 2.10. PITA also believe that if there is a body, then it is ITU and not FCC who has no jurisdiction over another carrier in another country, who should recommend or seek to recommend any settlement rate reduction. Hence it is improper for FCC to be involved in the issue.

3. CONCLUSION

PITA members fully support the ITU in the introduction of cost oriented accounting rates which will over time lead to a reduction in settlement charges but strongly opposes the action of the FCC to impose unilaterally-established benchmarks with the threat to deny US carriers permission to settle at rates above these benchmarks.

PITA believes that it is the right of each nation to determine the cost of terminating traffic on its network and that charges resulting from these costs should continue to be agreed bilaterally with correspondent administrations according to ITU Recommendations.

PITA MEMBERS

COUNTRIES

FIJI ISLANDS

NAURU

NIUE

COOK ISLANDS

VANUATU

GUAM

AMERICAN SAMOA

TOKELAU

KIRIBATI

FRENCH POLYNESIA

PALAU

FEDERAL STATES OF MICRONESIA

MARSHALL ISLANDS

TUVALU

PAPUA NEW GUINEA

NEW CALEDONIA

WESTERN SAMOA

TONGA

SOLOMON ISLANDS

P.1  
JAN 31 '97 11:33AM FORUM TELECOM

